

AUGUST 7, 2013

Cover Charges for Opportunity to Dance Reclassified until July 1, 2017

Summary

Effective October 1, 2013, Engrossed Substitute Senate Bill (ESSB) 5882 (Chapter 13, Laws of 2013) provides that amusement and recreation services do not include the opportunity to dance provided by an establishment in exchange for a cover charge.

As a result, beginning October 1, 2013, cover charges for the opportunity to dance are no longer subject to retail sales tax. In addition, the income received from cover charges is no longer subject to the Retailing classification of the B&O tax. Instead the income is subject to the B&O tax under the classification, Service and other activities.

This temporary tax preference expires on July 1, 2017.

What is an opportunity to dance?

The bill clarifies that "opportunity to dance," means that an establishment provides a designated physical space, on either a temporary or permanent basis, where customers are allowed to dance and the establishment either advertises or otherwise makes customers aware that it has an area for dancing.

What is a cover charge?

A cover charge means a charge, regardless of its label, to enter an establishment and the purchaser is provided the opportunity to dance. This includes cash paid at the door for entry, or amounts added to the purchaser's bill, or amounts otherwise collected after entrance to the establishment and the purchaser is provided the opportunity to dance in exchange for payment of the charge.

When can I stop collecting sales tax on cover charges?

This change is effective October 1, 2013. You must continue to collect and remit retail sales tax on cover charges for the opportunity to dance through September 30, 2013.

Get more information and/or request a tax ruling

For more information, please contact the Department of Revenue at 1-800-647-7706.

If you would like specific written instruction of the tax liability for your business, you can request a tax ruling online at dor.wa.gov/rulings. When requesting a ruling, please provide your business name, tax registration number, and an explanation of your business activity and sources of income.